

Cots WorkGroup on IT Procurement Minutes -- August 10, 1999

Members Attending: Jan Fatouros, Bob Pontius, Shirley Miles, George Goodman

Vendors: GTSI, Pricewaterhouse Coopers, Entrust, EC³, SAIC

Guests: Al Iagnemmo, GSA and NASA SWEP

The day filled with presentations and discussions about E-procurement initiatives at the state and federal level. SAIC provided a status update on the Massachusetts' e-mail and EC3 reviewed their web site which is a consortium of state governments and organizations including NASIRE, NASPO, and the national organization of state comptrollers that support dissemination of best practices and surveys to determine the penetration of electronic government in the US.

Key Points from the presentations:

Pricewaterhouse-Coopers, Cathy Rogerson ([powerpoint presentation attached in HTML](#))

E-Procurement Development Process: Define Goals & Scope, Evaluate Current & Best Practices, Envision Current and Future, Plan Functional requirements, purchasing model, & participating vendors, Launch

Scope decisions include: Choice vs leverage (mandatory sources vs buyer's choice), Best value vs. seller access, Compliance with existing processes vs redesign, All components of the process vs just purchasing, All size purchases vs low dollar purchases, Reduce costs per transactions, reduce errors, Delegate buying and free purchasing professionals to work on strategy.

Purchasing Officials Time Distribution: 28% Buying/Ordering, 54% Complaints/follow-up, 3% vendor analysis, 9% sourcing, 8% requisition

Scope of Federal EC Initiative: End-to-End electronic commerce objectives, low-dollar, high volume, purchases through electronic malls and catalogs via internet, intranet, or extranet, use of purchase cards as primary payment tool, products available from government supply, gov. contracted vendors, and eventually commercial merchants, Value-based, buyer decision process

The rest of Cathy's remarks are available via e-mail.

Federal Statistics

GSA Advantage:

FY99: \$63 million, \$26 million wholesale, \$27 million from GSA warehouses, \$9.5 million from contracts. Delivery from warehouse - 2 days, from contracts 5 days.

Vendors: Top 5 by \$ Staples \$930,000, Comark \$517,000, Boise Cascade \$441,000, Innovative Sales \$401,000, GTSI \$286,000. Top 5 by item count: McBride & Associates 41,569, Anixter 16,165, GE Capital IT solutions 15,162, Federal Data Corp. 15,162, GMR, Inc. 13,624

Currently on Advantage: 1,728 catalogs, 89 schedules, 731,457 items

Enhancements for 1999 will cost over 5 million dollars

NASA SEWP

The NASA SEWP site only handles IT orders. It was established based on a client/server platform, which they are now converting to web-enabled for the use of federal government research laboratories. The major purpose of the project was not to automate computer ordering, but to facilitate the procurement of high-performance computers. The research institutions were losing millions of dollars and years of research development work because of the federal requirement for performance based procurement specifications. The SEWP program divided computing platforms and peripherals into 17 broad product categories, then competed those categories and selected a single vendor for each category.

This process achieved the following:

Reduced the number of vendors NASA had to manage

By selecting prime vendors NASA could shop from all manufacturers products at a fixed discount

Reducing the number of vendors also facilitated the implementation of electronic ordering.

Statistics: 13 contracts offering a variety of Unix & NT hardware, software & services. Over \$1 billion purchases in first 2.75 years

Mass E-Mall: Six states, \$370,000 in orders, 9 vendors on-line. 75% reduction in cycle time, less off-contract (maverick buying), \$10-\$100 reduction in processing cost per order, 70% reduction in request-to-receive time, reduced stock levels, 10%-20% reduction in product and service costs (source Forrester Research Jan 1999, & Aberdeen Group, Feb. 1999)

Lessons Learned Round Table

- Plan for the whole process, implement the area of greatest benefit first
- Do not start with technology products, items and prices vary to much.
- Vendor categorizations is the most difficult part of the process (a printer is not a printer, etc.)
- Paper/Phone calls can be more flexible, timely and user friendly
- Multiple steps from quote request to PO - interaction with legacy accounting systems & internal agency rules are difficult challenges, but must be solved prior to implementation
- Start with spend categories that give the best payoff quickly
- Rationalize supplier base and aggregate spending to drive the best deals from preferred suppliers
- Ensure that processes and data interoperate smoothly with ERP/Legacy systems
- Be sure the solution is easy and convenient to use
- Be sure that the catalog content and search/browse tools are satisfactory to the end user
- Clarify who performs content maintenance and end user/supplier support; determine how QA procedures are managed
- Have a plan for converting intangible benefits into real financial savings.
- Loading supplier's catalogs is time consuming - it takes much longer than expected